

CITY OF TREMONTON
FINANCIAL STATEMENTS

June 30, 2005

TREMONTON CITY
TABLE OF CONTENTS

	<u>Page</u>
Financial Section:	
Independent Auditors' Report	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenditures and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Notes to Financial Statements	25
Required Supplementary Information:	50
Budgetary Comparison Schedule – General Fund	51
Budgetary Comparison Schedule – Redevelopment Agency #3	52
Notes to Required Supplementary Information – Budgetary Reporting	53
Information About Infrastructure Assets Reported Using the Modified Approach	54

TREMONTON CITY
TABLE OF CONTENTS

	<u>Page</u>
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	61
Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	66
Nonmajor Governmental Funds:	
Statement of Revenues and Expenditures – Budget and Actual – Parks	67
Statement of Revenues and Expenditures – Budget and Actual – Redevelopment Agency #2	68
Enterprise Funds:	
Statement of Revenues and Expenditures – Budget and Actual – Utility Fund	69
Statement of Revenues and Expenditures – Budget and Actual – Special Improvement District Fund	71
Statement of Revenues and Expenditures – Budget and Actual – Treatment Plant Fund	72
Other Schedules:	
Schedule of Long-term Liabilities – Governmental Funds	73
Schedule of Long-term Liabilities – Enterprise Funds	74
Supplemental Utility and Insurance Information	75
Governmental Audit Report:	
Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	77
State Compliance Report:	
Report on Compliance with State Legal Compliance Requirements	81



Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA
H. Paul Gibbons, CPA

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Tremonton
Tremonton, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Tremonton, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2005 on our consideration of the City's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and additional infrastructure information on pages 3 through 12 and 51 through 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund information and the additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund information and the additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



JONES SIMKINS, P.C.
December 9, 2005

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

This document is a narrative overview and analysis of the financial activities of Tremonton City for the fiscal year ending June 30, 2005. Tremonton City's management suggests that all readers consider the information presented here in conjunction with the financial statements which follow this section. In this report the city's activities are classified in the following manner: governmental activities which refers to general administration, public safety, streets and public improvements, parks, recreation, public property, library, Redevelopment Agencies, etc., while business-type activities refers to operations of the water, sewer, and wastewater utilities, with a new Storm Drain Utility being proposed in the future.

FINANCIAL HIGHLIGHTS

- The total net assets of Tremonton City increased by \$765,066 totaling \$17,399,427. The governmental net assets increased by \$628,543 and the business-type net assets increased by \$136,523.
- The total net assets of government and business-type activities is \$17,399,427 and is made up of \$15,690,985 in capital assets, such as land, infrastructure, buildings, and equipment, and \$1,708,442 in other net assets. The \$1,708,442 in other net assets is comprised of \$669,371 restricted for capital projects and the remaining \$1,009,071 is unrestricted net assets.
- Total long-term liabilities of the city have decreased by \$518,286. The decrease in long-term liabilities was primarily the result of payments being made on bonds and leases. Refer to the Schedule of Long Term Liabilities in the audit for a complete breakdown for this next years schedule of payments. However, the city did add a capital lease for a flail mower to be used by streets and the water utility, and a new police vehicle which netted an increase of \$9,392 in capital leases. The Utility on the other hand paid off a major portion of the City Shop building lease and has adopted a budget to pay the lease in full in fiscal year 2006.

Overview of the Financial statements

This discussion and analysis is intended to serve as an introduction to Tremonton City's basic financial statements. Tremonton City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Tremonton City's finances, in a manner similar to a private-sector business.

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

- *The Statement of Net Assets* presents information on all of Tremonton City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Tremonton City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The Statement of Activities* presents information showing how the city's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.
- Both of the Statement of Net Assets and the Statement of Activities, which together comprise the government-wide financial statements, distinguish between activities that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found in this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Tremonton City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the city's general government operations and basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund, the Redevelopment Agency #3. The City also has a Park Special Revenue Fund, Redevelopment Agency #2 and the inactive Buggytowne Fund, which are nonmajor funds. Tremonton City adopts an annual budget for each governmental fund and each Redevelopment Agency also adopts a budget.

- **Proprietary funds** - Tremonton City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Tremonton City uses an enterprise fund to account for its culinary water, sewer, and wastewater treatment utilities. As determined by generally accepted accounting principles, each of these enterprise funds meets the criteria for major fund classification.
- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. The city currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Tremonton City, assets exceed liabilities by \$17,399,427.

By far the largest portion of Tremonton City's net assets (83.5%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment, net of depreciation).

The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional part of net assets (4.02%) are assets that are subject to external restrictions on how they may be expended (debt reserve, capital projects, redevelopment or other purposes). The remaining \$1,009,071 can be used to meet the city's ongoing obligations to its creditors and citizens.

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

STATEMENT OF NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets \$	1,315,071	1,981,247	1,760,610	1,513,651
Capital assets, net	<u>11,628,977</u>	<u>12,006,391</u>	<u>6,833,356</u>	<u>6,876,899</u>
Total assets	<u>12,944,048</u>	<u>14,047,638</u>	<u>8,593,966</u>	<u>8,390,550</u>
Current liabilities	1,410,039	2,206,549	511,157	358,323
Noncurrent liabilities	<u>1,613,250</u>	<u>1,291,787</u>	<u>1,369,207</u>	<u>1,182,102</u>
Total liabilities	<u>3,023,289</u>	<u>3,498,336</u>	<u>1,880,364</u>	<u>1,540,425</u>
Invested in capital assets, net of debt	9,725,727	10,213,177	5,233,376	5,477,808
Restricted	21,005	12,726	660,737	686,645
Unrestricted	<u>174,027</u>	<u>323,399</u>	<u>819,489</u>	<u>685,672</u>
Total net assets \$	<u>9,920,759</u>	<u>10,549,302</u>	<u>6,713,602</u>	<u>6,850,125</u>

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues				
Program revenues				
Charges for services	\$ 759,434	890,042	1,435,856	1,609,403
Operating grants and contributions	571,402	400,243	-	-
Capital grants and contributions	-	-	2,009,384	9,024
General revenues				
Taxes	2,266,859	3,090,432	-	-
Other	<u>36,694</u>	<u>46,454</u>	<u>48,521</u>	<u>52,183</u>
Total revenues	<u>3,634,389</u>	<u>4,427,171</u>	<u>3,493,761</u>	<u>1,670,610</u>
Expenses				
General government	771,451	1,335,242	-	-
Public safety	1,214,274	1,195,612	-	-
Streets and highways	392,739	280,029	-	-
Sanitation	162,563	155,784	-	-
Parks and recreation	462,425	461,024	-	-
Health and human services	231,304	240,489	-	-
Interest	33,571	130,448	-	-
Water and sewer utility	-	-	854,746	834,625
Sewer treatment	-	-	651,281	687,582
Golf course	<u>-</u>	<u>-</u>	<u>3,897</u>	<u>11,880</u>
Total expenses	3,268,327	3,798,628	1,509,924	1,534,087
Change in net assets	366,062	628,543	1,983,837	136,523
Net assets - beginning	<u>9,554,697</u>	<u>9,920,759</u>	<u>4,729,765</u>	<u>6,713,602</u>
Net assets - ending	\$ <u>9,920,759</u>	<u>10,549,302</u>	<u>6,713,602</u>	<u>6,850,125</u>

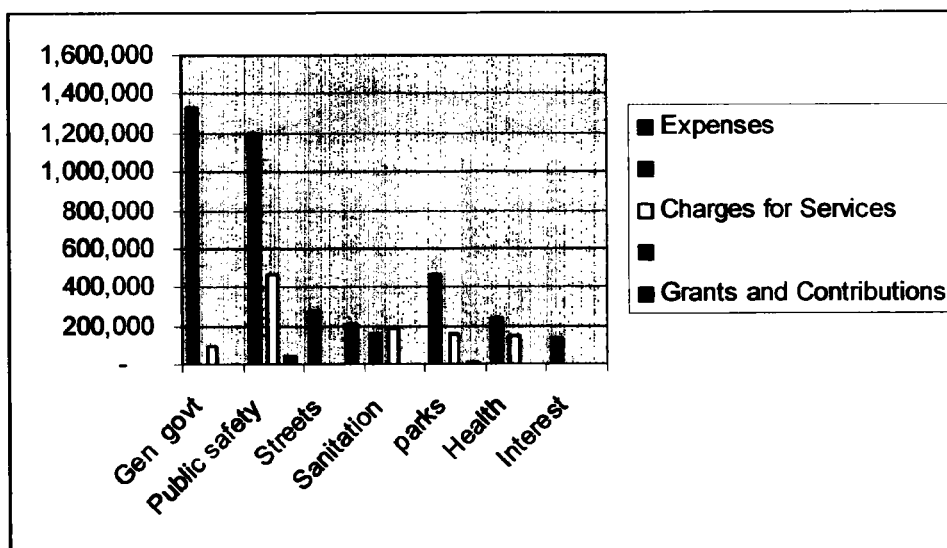
CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Governmental Activities

Governmental activities net assets increased by \$628,543 for the current fiscal year. Key elements of this increase are as follows:

- During the year, the Redevelopment Agency #3 collected its proper share of property taxes and honored its commitments related to the tax increment collected.
- The State of Utah implemented a state-wide franchise relative to telecommunications that increased the City's franchise tax collections.

The following Chart displays the governmental activities expenses compared to the program revenues attributed to the activity. Traditionally governmental activities are paid for by general fund sources and not charges for direct services.



Business-type activities

Business-type activities net assets increased by \$136,523. Key elements of this increase are as follows:

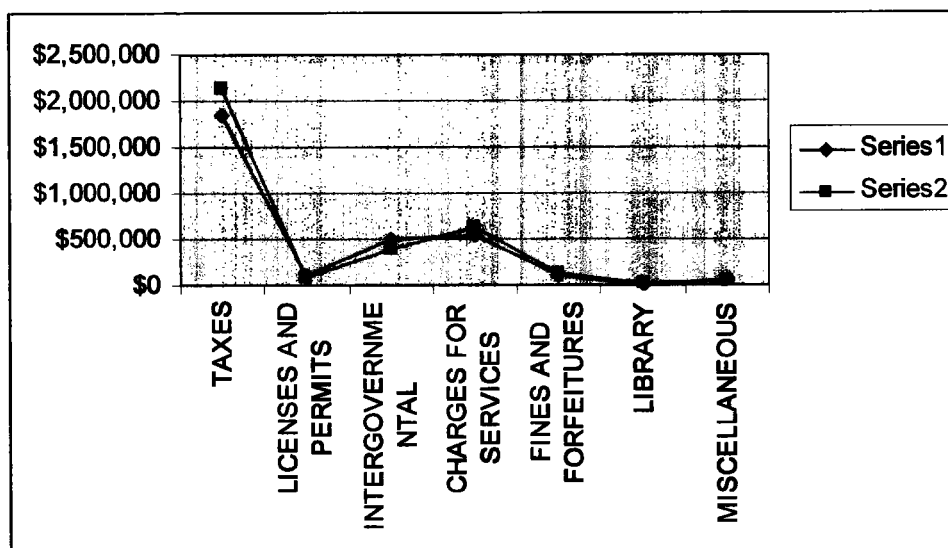
The City's business-type activities operated in an expected manner this year. In the prior year, there was significant donation to improve and expand the wastewater treatment facility.

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The focus of the city's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the city's financing requirements. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represented 62% of the total general fund revenues. This compares with 58% for 2004. Below is a comparison of 2004 (series 1) and 2005 (series 2) tax collections.



The two largest elements of taxes are sales and use taxes and property taxes. Sales tax growth continues to be an important issue for the city as it accounts for job growth and inflation, unlike its companion Property Tax which can not increase by inflationary impacts. As previously mentioned the Redevelop Agency properly collected the applicable tax increment and honored their commitments.

The City continues to rely on new development to fund any increases in costs of providing service and maintaining infrastructure assets.

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

The city maintains enterprise funds to account for the business-type activities of the city. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

The City's enterprise funds continue to reduce their related long-term debt while continuing to provide reliable service.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year it is not uncommon to make adjustments to the original budget. There are often matters that are unknown during the initial budget approval process which occur during the course of the year which require action on the part of the city. These unknowns may be factors outside the control of the city administration. There are also purchasing and construction opportunities which come during the year that, if possible, the city tries to take advantage. This past year the Library renovation took on an added cost as the roof was determined to be dilapidated and in need of replacement, there were also gifts to the pantry and minor new equipment purchases and the 1200 South road construction.

The budget is constantly under review by the office staff, mayor, and city council. Typically, adjustments to the budget are considered mid way through the fiscal year. And considered again as the year comes to a close. Many adjustments are minor while some are of greater significance. During fiscal year 2005 the city did make such adjustments as noted above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Tremonton City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$11,628,977 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The increase in the city's governmental fixed assets for the current year was \$232,718 and depreciation expense was \$143,184.

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Most of the increase in governmental fixed assets was attributed to the library renovation, new ambulance and street projects. Streets, sidewalks, and curb and gutter projects continue on schedule, with average expenditures of \$180,000 / year being spent on projects and \$245,000 spent on road bond payments. The following chart shows our activity:

		<u>2004</u>	<u>2005</u>
Infrastructure construction and repair	\$	186,457	177,545
Road bond payments		<u>235,000</u>	<u>245,000</u>
Total	\$	<u>421,457</u>	<u>422,545</u>
General fund road maintenance	\$	<u>263,653</u>	<u>251,839</u>
Grand total	\$	<u>685,110</u>	<u>674,384</u>

One can see that a significant amount is paid to ensure that our roadway assets are preserved.

The increase in proprietary fixed assets included nearly \$32,000 for a new mower, over \$20,000 to finish a secondary water system and nearly \$220,000 in Waste Water Treatment facility upgrade.

Additional information on the city's capital assets can be found in the footnotes to these financial statements.

Long-term debt - As of June 30, 2005, the city had total governmental activities debt outstanding of \$1,648,518 compared with \$1,903,250 as of June 30, 2004. A portion of Tremonton City's long term debt, \$1,680,000 is general obligation debt for the \$2,560,000 Bond issue for the street projects. Detail of the City's long-term obligations can be found in the Schedule of Long-Term Liabilities for both the Governmental and Enterprise funds, shown on pages 67 and 68. The following chart shows the past two year's debt totals and comparison.

		<u>2004</u>	<u>2005</u>
Governmental activities			
Capital leases	\$	187,611	197,003
Bonds and notes payable		<u>1,715,639</u>	<u>1,451,515</u>
Total governmental activities	\$	<u>1,903,250</u>	<u>1,648,518</u>
Enterprise Fund			
Capital leases	\$	607,980	496,426
Bond payable		<u>992,000</u>	<u>902,000</u>
Total enterprise fund	\$	<u>1,599,980</u>	<u>1,398,426</u>

CITY OF TREMONTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

The City entered into three new capital leases (two governmental and one enterprise) for a police car, an ambulance and a mower.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The major projects budgeted for next year include the 2000 West project which will show expenditures in both the General fund and Enterprise fund. Some if not all of the utility costs can be attributed to growth and it's associated pressures for more capacity, so impact fees are budgeted to be utilized where appropriate. The City has budgeted to construct a culinary water line at the Bear River at a cost of approximately \$80,000.
- No property tax nor utility rate increases are budgeted for the next fiscal year.
- During fiscal year 2006, the City must conduct the three year update of our modified approach to evaluating infrastructure within the City. All items must be reviewed in detail and done in compliance with our modified approach. As of June 30, 2005, there are no indication that our projections of capital expenditures needed to preserve our assets are insufficient nor have there been any catastrophic events that impacted our infrastructure.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Tremonton City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Tremonton City Manager, P. O. Box 100, Tremonton Utah, 84337.

This page intentionally left blank.

Basic Financial Statements

CITY OF TREMONTON
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Pooled cash and cash equivalents	\$ 427,229	667,576	1,094,805
Accounts receivable, net	107,699	180,304	288,003
Due from other governments	1,886,525	-	1,886,525
Internal balances	(440,206)	440,206	-
Restricted cash and cash equivalents	-	225,565	225,565
Note receivable	105,022	-	105,022
Deposits	99,674	665	100,339
Land	646,216	55,150	701,366
Infrastructure	9,247,303	-	9,247,303
Construction in process	2,019	-	2,019
Buildings	707,709	1,792,638	2,500,347
Improvements	2,016,186	508,074	2,524,260
Water and sewer lines	-	2,378,490	2,378,490
Equipment	1,343,914	5,349,602	6,693,516
Accumulated depreciation	(2,101,652)	(3,207,720)	(5,309,372)
Total assets	14,047,638	8,390,550	22,438,188
<u>Liabilities</u>			
Accounts payable	163,216	37,250	200,466
Accrued expenses	138,837	82,000	220,837
Deposits due customers	-	7,249	7,249
Accrued interest payable	-	15,500	15,500
Deferred revenue	1,547,765	-	1,547,765
Long-term liabilities:			
Due within one year	356,731	216,324	573,055
Due in more than one year	1,291,787	1,182,102	2,473,889
Total liabilities	3,498,336	1,540,425	5,038,761
<u>Net Assets</u>			
Invested in capital assets, net of related debt	10,213,177	5,477,808	15,690,985
Restricted	12,726	686,645	699,371
Unrestricted	323,399	685,672	1,009,071
Total net assets	\$ 10,549,302	6,850,125	17,399,427

The accompanying notes are an integral
part of these financial statements

CITY OF TREMONTON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 1,335,242	90,335	-	-	(1,244,907)	-	(1,244,907)
Public safety	1,195,612	465,167	39,174	-	(691,271)	-	(691,271)
Streets and highways	250,029	-	202,585	-	(77,444)	-	(77,444)
Sanitation	155,784	183,012	-	-	27,228	-	27,228
Cultural, parks and recreation	461,024	151,528	11,202	-	(298,294)	-	(298,294)
Health and human services	240,489	-	147,282	-	(93,207)	-	(93,207)
Interest	130,448	-	-	-	(130,448)	-	(130,448)
Total governmental activities	3,798,628	890,042	400,243	-	(2,508,343)	-	(2,508,343)
Business-type activities:							
Utility fund	834,625	857,760	-	-	-	23,135	23,135
Treatment plant fund	687,582	744,744	-	9,024	-	66,186	66,186
Nonmajor	11,880	6,899	-	-	-	(4,981)	(4,981)
Total business-type activities	1,534,087	1,609,403	-	9,024	-	84,340	84,340
Total primary government	\$ 5,332,715	2,499,445	400,243	9,024	(2,508,343)	84,340	(2,424,003)
General revenues:							
Taxes:							
Property tax					\$ 1,597,980	-	1,597,980
Sales and use tax					923,831	-	923,831
Franchise tax					568,621	-	568,621
Total taxes					3,090,432	-	3,090,432
Miscellaneous					28,898	-	28,898
Interest					17,556	52,183	69,739
Total general revenues					3,136,886	52,183	3,189,069
Change in net assets					628,543	136,523	765,066
Net assets—beginning					9,920,759	6,713,602	16,634,361
Net assets—ending					\$ 10,549,302	6,850,125	17,399,427

The accompanying notes are an integral part
of these financial statements.

CITY OF TREMONTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Special Revenue Redevelopment Agency #3	Nonmajor Funds	Total Governmental Funds
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 373,884	500	52,845	427,229
Due from pooled cash	58,795	-	-	58,795
Accounts receivable, net	107,699	-	-	107,699
Due from other governments	936,525	896,000	54,000	1,886,525
Deposits	10,179	23,675	65,820	99,674
Due from other funds	-	-	25,252	25,252
Note receivable	105,022	-	-	105,022
Total assets	<u>\$ 1,592,104</u>	<u>920,175</u>	<u>197,917</u>	<u>2,710,196</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Due to pooled cash	\$ -	-	58,795	58,795
Accounts payable	163,216	-	-	163,216
Accrued expenses	51,837	-	-	51,837
Due to other funds	-	440,206	25,252	465,458
Deferred revenue	712,965	896,000	54,000	1,662,965
Total liabilities	<u>928,018</u>	<u>1,336,206</u>	<u>138,047</u>	<u>2,402,271</u>
Fund balance (deficit):				
Reserved	12,726	-	-	12,726
Designated	211,261	-	-	211,261
Unreserved - undesignated	440,099	(416,031)	59,870	83,938
Total fund balance (deficit)	<u>664,086</u>	<u>(416,031)</u>	<u>59,870</u>	<u>307,925</u>
Total liabilities and fund balance	<u>\$ 1,592,104</u>	<u>920,175</u>	<u>197,917</u>	<u>2,710,196</u>

The accompanying notes are an integral
part of these financial statements

CITY OF TREMONTON
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2005

Total fund balances for governmental funds	\$	307,925
--	----	---------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	646,216	
Infrastructure		9,247,303	
Construction in progress		2,019	
Buildings		707,709	
Improvements		2,016,186	
Equipment		1,343,914	
Accumulated depreciation		<u>(2,101,652)</u>	11,861,695

Some of the City's earned revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		115,200
---	--	---------

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not in the funds.

Bonds payable	\$	(1,435,000)	
Notes payable		(16,515)	
Compensated absences		(87,000)	
Capital leases		<u>(197,003)</u>	<u>(1,735,518)</u>

Net assets of governmental activities	\$	<u><u>10,549,302</u></u>
---------------------------------------	----	--------------------------

The accompanying notes are an integral part
of these financial statements.

CITY OF TREMONTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Special Revenue Redevelopment Agency #3	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,139,499	896,475	54,458	3,090,432
Licenses and permits	85,710	-	-	85,710
Intergovernmental	384,388	-	-	384,388
Charges for services	626,184	-	15,840	642,024
Fines and forfeitures	140,650	-	-	140,650
Library	19,842	-	-	19,842
Miscellaneous	47,313	300	3,104	50,717
Total revenues	3,443,586	896,775	73,402	4,413,763
Expenditures:				
General government	431,197	871,829	2,536	1,305,562
Public safety	1,326,784	-	-	1,326,784
Streets/highways	674,384	-	-	674,384
Sanitation	155,784	-	-	155,784
Cultural, parks and recreation	664,625	-	-	664,625
Health and human service	237,925	-	-	237,925
Debt service	-	-	2,426	2,426
Interest	-	34,227	1,203	35,430
Total expenditures	3,490,699	906,056	6,165	4,402,920
Excess (deficiency) of revenues over expenditures	(47,113)	(9,281)	67,237	10,843
Other financing sources (uses):				
Transfer	46,225	(46,225)	-	-
Proceeds from capital lease	108,842	-	-	108,842
Net other financing sources (uses)	155,067	(46,225)	-	108,842
Change in fund balance	107,954	(55,506)	67,237	119,685
Fund balance (deficit) - July 1	556,132	(360,525)	(7,367)	188,240
Fund balance (deficit) - June 30	\$ 664,086	(416,031)	59,870	307,925

The accompanying notes are an integral
part of these financial statements

CITY OF TREMONTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Net change in fund balance - Total governmental funds	\$	119,685
---	----	---------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$446,003) exceeded depreciation (\$213,285) in the current period.

		232,718
--	--	---------

Some of the City's earned revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds

		13,408
--	--	--------

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayment of bond and capital lease principal are expenditures in the governmental funds:

Proceeds from capital lease	\$	(108,842)	
Decrease in vacation payable		8,000	
Payment of bond principal		245,000	
Payment of notes payable principal		19,124	
Payments on capital leases		99,450	
		262,732	

Change in net assets of governmental activities	\$	628,543
---	----	---------

The accompanying notes are an integral part
of these financial statements.

CITY OF TREMONTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Utility Fund	Treatment Plant Fund	Nonmajor Fund	Total Business Type Activities
<u>Assets</u>				
Current assets:				
Pooled cash and cash equivalents	\$ 321,149	335,307	11,120	667,576
Accounts receivable, net	65,570	113,774	960	180,304
Due from other funds	440,206	-	-	440,206
Total current assets	826,925	449,081	12,080	1,288,086
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	46,944	178,621	-	225,565
Deposits	665	-	-	665
Fixed assets, net	3,045,335	3,733,233	97,666	6,876,234
Total noncurrent assets	3,092,944	3,911,854	97,666	7,102,464
Total assets	3,919,869	4,360,935	109,746	8,390,550
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	34,788	2,462	-	37,250
Accrued expenses	27,000	55,000	-	82,000
Deposits due customers	7,249	-	-	7,249
Accrued interest payable	4,000	11,500	-	15,500
Current portion of long-term liabilities	150,324	59,000	7,000	216,324
Total current liabilities	223,361	127,962	7,000	358,323
Noncurrent liabilities:				
Long-term liabilities, less current portion	483,102	650,000	49,000	1,182,102
Total noncurrent liabilities				
Total liabilities	706,463	777,962	56,000	1,540,425
<u>Net Assets</u>				
Invested in capital assets, net of related debt	2,411,909	3,024,233	41,666	5,477,808
Restricted	326,965	359,680	-	686,645
Unrestricted	474,532	199,060	12,080	685,672
Total net assets	3,213,406	3,582,973	53,746	6,850,125
Total liabilities and net assets	\$ 3,919,869	4,360,935	109,746	8,390,550

The accompanying notes are an integral
part of these financial statements

CITY OF TREMONTON
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Utility Fund	Treatment Plant Fund	Nonmajor Funds	Total Business Type Activities
Operating revenues:				
Charges for services	\$ 715,495	690,600	6,899	1,412,994
Connection fees	14,415	-	-	14,415
Miscellaneous income	37,408	-	-	37,408
Total operating revenues	767,318	690,600	6,899	1,464,817
Operating expenses:				
Salaries and benefits	291,563	269,455	-	561,018
Current expenses	366,747	186,217	60	553,024
Depreciation	141,604	203,437	11,820	356,861
Total operating expenses	799,914	659,109	11,880	1,470,903
Operating income (loss)	(32,596)	31,491	(4,981)	(6,086)
Non-operating revenues (expenses):				
Impact fees	90,442	54,144	-	144,586
Interest income	43,068	9,086	29	52,183
Interest expense	(34,711)	(28,473)	-	(63,184)
Net non-operating revenues (expenses)	98,799	34,757	29	133,585
Income before capital contributions	66,203	66,248	(4,952)	127,499
Capital contributions	-	9,024	-	9,024
Change in net assets	66,203	75,272	(4,952)	136,523
Net assets - beginning	3,147,203	3,507,701	58,698	6,713,602
Net assets - ending	\$ 3,213,406	3,582,973	53,746	6,850,125

The accompanying notes are an integral
part of these financial statements

CITY OF TREMONTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Utility Fund	Treatment Plant Fund	Nonmajor Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 765,444	753,288	6,770	1,525,502
Payments to suppliers	(426,103)	(241,379)	(60)	(667,542)
Payments to employees	(302,025)	(282,860)	-	(584,885)
Net cash provided by operating activities	37,316	229,049	6,710	273,075
Cash flows from non-capital financing activities:				
Impact fees collected	90,442	54,144	-	144,586
Collection of due from other funds	3,977	-	-	3,977
Net cash provided by non-capital financing activities	94,419	54,144	-	148,563
Cash flows from capital and related financing activities:				
Capital contributions	-	9,024	-	9,024
Purchases of capital assets	(81,109)	(286,130)	-	(367,239)
Principal paid on capital debt	(170,054)	(57,000)	(7,000)	(234,054)
Interest and fees paid on capital debt	(34,711)	(28,473)	-	(63,184)
Net cash used in capital and related financing activities	(285,874)	(362,579)	(7,000)	(655,453)
Cash flows from investing activities:				
Interest and dividends received	43,068	9,086	29	52,183
Net cash provided by investing activities	43,068	9,086	29	52,183
Net decrease in cash and cash equivalents	(111,071)	(70,300)	(261)	(181,632)
Cash and cash equivalents at beginning of year	479,164	584,228	11,381	1,074,773
Cash and cash equivalents at end of year	\$ 368,093	513,928	11,120	893,141
Shown in Statement of Net Assets as:				
Pooled cash and cash equivalents	\$ 321,149	335,307	11,120	667,576
Restricted cash and cash equivalents	46,944	178,621	-	225,565
	\$ 368,093	513,928	11,120	893,141

(continued)

The accompanying notes are an integral
part of these financial statements

(continued)

CITY OF TREMONTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Utility Fund	Treatment Plant Fund	Nonmajor Fund	Total Proprietary Activities
Supplemental disclosures:				
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (32,596)	31,492	(4,981)	(6,085)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	141,604	203,437	11,820	356,861
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(5,249)	62,688	(129)	57,310
Decrease (increase) in deposits	3,375	-	-	3,375
Increase (decrease) in accounts payable	(56,753)	(52,995)	-	(109,748)
Increase (decrease) in accrued interest payable	(4,283)	(2,167)	-	(6,450)
Increase (decrease) in accrued expenses	(10,462)	(13,406)	-	(23,868)
Increase (decrease) in deposits due customers	1,680	-	-	1,680
Total adjustments	69,912	197,557	11,691	279,160
Net cash provided by operating activities	\$ 37,316	229,049	6,710	273,075
Non-cash transactions:				
Capital assets acquired	(113,609)	(286,130)	-	(399,739)
Capital lease obligation assumed	32,500	-	-	32,500
Net cash paid	(81,109)	(286,130)	-	(367,239)

The accompanying notes are an integral
part of these financial statements

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The City of Tremonton, Utah (the City), operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police, fire and ambulance), highway and streets, sanitation, recreation, public improvements, planning and zoning, health and human services and general administrative services. In addition, the City owns and operates a water and sewer system and a sewer treatment plant.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles.

The City has created the Tremonton Redevelopment Agency #2 (RDA#2) and the Tremonton Redevelopment Agency #3 (RDA #3) and these entities have been determined to be blended component units of the City. The accounts of these entities have been appropriately blended into the City's financial statements in accordance with GAAP.

The City is a member of the Utah Telecommunications Open Infrastructure Agency (UTOPIA), which was created as an interlocal cooperative agreement as provided in the laws of the State of Utah. The City has determined that their investment in and involvement with UTOPIA is less than other members and, therefore, has concluded that the financial amounts of UTOPIA should not be included in these financial statements.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, highway and streets, sanitation, recreation, public improvements, planning and zoning, health and human services and general administrative services are classified as governmental activities. The City's water, sewer and sewer treatment plant services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Fund Statements

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

The following fund types are used by the City.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The City's major governmental funds consist of the following:

General Fund - see description above.

RDA #3 - This fund accounts for the operations of this blended component unit. The RDA builds infrastructure within City limits, promotes economic development and is entitled to collect incremental property taxes on the property within the boundaries of the RDA.

The City's nonmajor governmental funds consist of special revenue funds that collect fees to improve parks and account for the operations of RDA #2.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's major enterprise funds consist of the following:

Utility Fund - This fund accounts for the water and sewer services provided to City residents.

Treatment Plant Fund - This fund accounts for the treatment of sewer products collected by the City sewer system and by the City of Garland, Utah.

The City's nonmajor enterprise fund was created to collect special assessments and make debt payments for a special improvement district.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

Financial Statement Amounts

Cash and cash equivalents

For the purpose of the Statement of Net Assets, the term "cash and cash equivalents" includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Interfund Receivables and Payables

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable and Due From Other Governments

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and ambulance fees. Business-type activities report receivables for utility service fees.

Note Receivable

The City's note receivable relates to the sale of a housing project. The note requires a lump-sum payment at the end of the term of the note but allows interest to accrue each year. The City increases the balance of the note as interest accrues. The related revenues have been deferred in the fund financial statements because they do not meet the availability criteria. Interest revenue is recognized each year in the Statement of Activities.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	30 to 50 years
Improvements other than buildings	10 to 50 years
Water and sewer lines	15 to 60 years
Equipment	3 to 20 years

GASB Statement No. 34 requires the City to report infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities) etc. As provided by GASB standards, the City has elected to use the "modified approach" to account for infrastructure assets maintained by the City. Under this approach, depreciation expense is not recorded and only improvements that expand the capacity or efficiency of an infrastructure asset are capitalized. Using this approach requires the City to: 1) maintain an inventory of the assets and perform periodic condition assessments; 2) estimate each year the annual amount to maintain and preserve the assets at the condition level set by the City; and 3) document that the assets are being preserved approximately at or above the condition level set by the City.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Capitalized Interest

The City capitalizes net interest costs as part of the cost of construction for proprietary capital projects when material.

Deferred Revenues

In the government-wide statements and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The City's policies regarding sick leave allow employees to receive up to one-half of their accrued sick leave, limited to 45 days, as a termination benefit if they voluntarily retire or resign. The liability for these compensated absences is recorded as long-term debt in the government-wide statement for governmental activities and as accrued liabilities in the business-type activities. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a liability for compensated absences while proprietary funds report the liability as it is incurred. Compensated absences related to governmental activities are usually liquidated by the General Fund.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government wide financial statements. The long-term debt consists of bonds payable, capital leases payable, notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Equity Classifications

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets - Consists of net assets with constraints placed on the used wither by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

Revenues

Property taxes, franchise taxes, licenses, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

Expenses/Expenditures

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Property Tax Calendar

Box Elder County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Note 2 - Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

At June 30, 2005, the City's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Pooled cash and cash equivalents:				
Demand deposits	\$ 959,206	-	-	959,206
Public Treasurer's Investment Pool	<u>-</u>	<u>124,869</u>	<u>-</u>	<u>124,869</u>
Total pooled cash and cash equivalents	\$ <u>959,206</u>	<u>124,869</u>	<u>-</u>	<u>1,084,075</u>
Cash and cash equivalents:				
Cash-on-hand	\$ <u>-</u>	<u>-</u>	<u>230</u>	<u>230</u>
Total cash and cash equivalents	\$ <u>-</u>	<u>-</u>	<u>230</u>	<u>230</u>
Restricted cash and cash equivalents:				
Demand deposits	\$ 11,868	35,076	-	46,944
Public Treasurer's Investment Pool	<u>-</u>	<u>178,621</u>	<u>-</u>	<u>178,621</u>
Total restricted cash and cash equivalents	\$ <u>11,868</u>	<u>213,697</u>	<u>-</u>	<u>225,565</u>
Total all deposits and investments	\$ <u>971,074</u>	<u>338,566</u>	<u>230</u>	<u>1,309,870</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$1,198,123 of the City's bank balances of \$1,309,640 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, all investments held by the City are in the PTIF, which has a maturity of less than 1 year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all City investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2005, all investments held by the City are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial risk is to use the PTIF whenever possible. As of June 30, 2005, all of the City's investments were in the PTIF.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 - Accounts Receivable and Due From Other Governments

The City's accounts receivable and due from other governments at June 30, 2005, consist of:

Governmental activities

Due from other governments:

General fund:

Property taxes - current	\$ 75,466
Property taxes - deferred to future periods	597,765
Class "C" roads	42,776
Sales tax	167,824
Other	<u>52,694</u>

Total general fund	<u>936,525</u>
--------------------	----------------

Redevelopment Agency #3:

Property taxes	<u>896,000</u>
----------------	----------------

Redevelopment Agency #2:

Property taxes	<u>54,000</u>
----------------	---------------

Total due from other governments	\$ <u>1,886,525</u>
----------------------------------	---------------------

Accounts receivable:

General fund:

Ambulance fees	\$ 104,563
Garbage	24,071
Other	3,633
Less allowance for uncollectible accounts	<u>(24,568)</u>

Total general fund	<u>107,699</u>
--------------------	----------------

Total accounts receivable	\$ <u>107,699</u>
---------------------------	-------------------

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 - Accounts Receivable and Due From Other Governments (continued)

Business-type activities

Accounts receivable:

Utility fund:		
Utility services and fees	\$	65,570
Treatment Plant fund:		
Sewer services and fees		113,774
Nonmajor fund accounts receivable		<u>960</u>
Total accounts receivable	\$	<u>180,304</u>

Note 4 - Interfund Balances/Transfers

Interfund balances as of June 30, 2005 consisted of:

Due to/from Pooled Cash:

As a result of the pooling of cash and cash equivalents, the Redevelopment Agency #2 owed the General fund \$58,795 at June 30, 2005.

Internal Loans:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Total</u>
		<u>RDA #2</u>	<u>RDA #3</u>	
Parks	\$	25,252	-	25,252
Utility		<u>-</u>	<u>440,206</u>	<u>440,206</u>
Total	\$	<u>24,050</u>	<u>444,183</u>	<u>465,458</u>

During the year, RDA#3 transferred \$46,225 to the General Fund to reimburse the City for expenses incurred on-behalf of RDA#3 in prior years.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 5 - Capital Assets

Capital asset changes occurring for the year ended June 30, 2005, are as follows:

Governmental activities

	<u>July 1,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2005</u>
Capital assets not being depreciated:				
Land	\$ 646,216	-	-	646,216
Infrastructure	9,157,769	89,534		9,247,303
Construction in process	<u>2,019</u>	<u>-</u>	<u>-</u>	<u>2,019</u>
Total capital assets not being depreciated	<u>9,806,004</u>	<u>89,534</u>	<u>-</u>	<u>9,895,538</u>
Capital assets being depreciated:				
Buildings	707,709	-	-	707,709
Improvements	1,788,045	228,140	-	2,016,186
Equipment	<u>1,359,398</u>	<u>128,329</u>	<u>(143,813)</u>	<u>1,343,914</u>
Total capital assets being depreciated	<u>3,855,153</u>	<u>356,469</u>	<u>(143,813)</u>	<u>4,067,809</u>
Accumulated depreciation for:				
Buildings	(58,240)	(22,102)	-	(80,342)
Improvements other than buildings	(867,092)	(59,300)	-	(926,392)
Equipment and automotive	<u>(1,106,848)</u>	<u>(131,883)</u>	<u>143,813</u>	<u>(1,094,918)</u>
Total accumulated depreciation	<u>(2,032,180)</u>	<u>(213,285)</u>	<u>143,813</u>	<u>(2,101,652)</u>
Total capital assets being depreciated, net	<u>1,822,973</u>	<u>143,184</u>	<u>-</u>	<u>1,966,157</u>
Total governmental activities capital assets, net	\$ <u>11,628,977</u>	<u>232,718</u>	<u>-</u>	<u>11,861,695</u>

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 5 - Capital Assets (continued)

<i>Business-type activities</i>	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2005</u>
Capital assets not being depreciated:					
Land	\$ 55,150	-	-	-	55,150
Construction in process	<u>18,137</u>	<u>-</u>	<u>-</u>	<u>(18,137)</u>	<u>-</u>
Total capital assets not being depreciated	<u>73,287</u>	<u>-</u>	<u>-</u>	<u>(18,137)</u>	<u>55,150</u>
Capital assets being depreciated:					
Buildings	1,762,689	29,949	-	-	1,792,638
Equipment and vehicles	5,247,812	337,155	(253,502)	18,137	5,349,602
Improvements	491,618	16,456	-	-	508,074
Water and sewer lines	<u>2,362,311</u>	<u>16,179</u>	<u>-</u>	<u>-</u>	<u>2,378,490</u>
Total capital assets being depreciated	<u>9,864,430</u>	<u>399,739</u>	<u>(253,502)</u>	<u>18,137</u>	<u>10,028,804</u>
Accumulated depreciation for:					
Buildings	(260,295)	(46,736)	-	-	(307,031)
Equipment and vehicles	(1,541,946)	(227,995)	253,502	-	(1,516,439)
Improvements	(119,657)	(15,602)	-	-	(135,259)
Lines	<u>(1,182,463)</u>	<u>(66,528)</u>	<u>-</u>	<u>-</u>	<u>(1,248,991)</u>
Total accumulated depreciation	<u>(3,104,361)</u>	<u>(356,861)</u>	<u>253,502</u>	<u>-</u>	<u>(3,207,720)</u>
Total capital assets being depreciated, net	<u>6,760,069</u>	<u>42,878</u>	<u>-</u>	<u>18,137</u>	<u>6,821,084</u>
Total business-type activities capital assets, net	\$ <u>6,833,356</u>	<u>42,878</u>	<u>-</u>	<u>-</u>	<u>6,876,234</u>

Depreciation expense of governmental activities was charged to functions as follows:

General government	\$ 38,320
Streets and highways	27,365
Public safety	100,131
Culture, parks and recreation	35,900
Health and human services	<u>11,569</u>
Total depreciation expense	\$ <u>213,285</u>

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 6 - Refundable Deposits

The City requires a security deposit from customers for utility services. The deposit, reported as a liability in the Utility Fund, covers garbage pickup, water charges, and sewer services. Security deposits in the Utility Fund of \$7,249 were held by the City at June 30, 2005.

Note 7 - Long-Term Liabilities

Long-term liability activity for fiscal year ending June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
<u>Governmental activities</u>					
Bonds payable	\$ 1,680,000	-	(245,000)	1,435,000	260,000
Notes payable	35,639	-	(19,124)	16,515	16,515
Compensated absences	95,000	54,000	(62,000)	87,000	45,000
Capital leases payable	<u>187,611</u>	<u>108,842</u>	<u>(99,450)</u>	<u>197,003</u>	<u>80,216</u>
Total governmental long-term liabilities	\$ <u>1,998,250</u>	<u>162,842</u>	<u>(425,574)</u>	<u>1,735,518</u>	<u>401,731</u>
<u>Business-type activities</u>					
Bonds payable	\$ 992,000	-	(90,000)	902,000	95,000
Capital leases payable	<u>607,980</u>	<u>32,500</u>	<u>(144,054)</u>	<u>496,426</u>	<u>121,324</u>
Total business-type long-term liabilities	\$ <u>1,599,980</u>	<u>32,500</u>	<u>(234,054)</u>	<u>1,398,426</u>	<u>216,324</u>

Governmental Activities

Governmental activities long-term debt was comprised of the following:

Bonds payable:

\$2,560,000 general obligation bonds, payable in annual installments ranging from \$205,000 to \$315,000 with interest from 4% to 5.55% \$ 1,435,000

Notes payable:

\$112,000 promissory note due to Stan Stokes, payable in annual installments of \$18,000 including interest at 9%, secured by land \$ 16,515

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 7 - Long-Term Liabilities (continued)

Capital leases payable:

Various capitalized leases, payable in monthly installments including interest ranging from 2.8% to 5.9%, secured by equipment \$ 197,003

The annual requirements to amortize the bonds payable and notes payable of the governmental activities were as follows:

Year Ending June 30	Principal	Interest	Total
2006	\$ 276,515	74,161	350,676
2007	275,000	60,065	335,065
2008	285,000	46,590	331,590
2009	300,000	32,482	332,482
2010	<u>315,000</u>	<u>17,482</u>	<u>332,482</u>
Totals	\$ <u>1,451,515</u>	<u>230,780</u>	<u>1,682,295</u>

The following is a schedule of the future minimum lease payments under the governmental activities capital leases and the present value of the net minimum lease payments at June 30, 2004:

Year Ending June 30	
2005	\$ 86,423
2006	75,812
2007	39,631
2008	<u>5,783</u>
Net minimum lease payments	207,649
Less amount representing interest	<u>(10,646)</u>
Present value of net minimum lease payments	\$ <u>197,003</u>

At June 30, 2005, the cost of assets financed by capital leases recorded in the governmental activities was \$559,832 and the accumulated depreciation was \$402,929.

The General Fund is generally used to liquidate governmental activities long-term liabilities.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 7 - Long-Term Liabilities (continued)

Business-type Activities

Bonds Payable

Business-type activities bonds payable were comprised of the following:

\$349,000 water revenue bonds due to Zions First National Bank in monthly installments of \$3,678 including interest at 11.22%	\$ 137,000
\$140,000 water revenue bonds due to Utah Water Resources in annual installments of \$7,000 with no interest	56,000
\$1,200,000 sewer treatment plant bonds due to State of Utah in annual installments ranging from \$40,000 to \$84,000 plus interest at 4%	<u>709,000</u>
Total business-type activities bonds payable	\$ <u>902,000</u>

The annual requirements to amortize bonds payable of the business-type activities as of June 30, 2004, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 95,000	43,731	138,731
2007	100,000	38,117	138,117
2008	107,000	32,087	139,087
2009	113,000	25,488	138,488
2010	76,000	18,360	94,360
2011-2015	<u>411,000</u>	<u>48,000</u>	<u>459,000</u>
Totals	\$ <u>902,000</u>	<u>205,783</u>	<u>1,107,783</u>

The management of the City believes that as of June 30, 2005, it was in compliance with the debt covenants of the outstanding revenue bonds.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 7 - Long-term Liabilities (continued)

Capital Leases

The City has entered into capital lease agreement with Zions Bank to provide financing for the construction of assets. The agreement requires that the City lease assets to Zions Bank for \$1 annually. Zions Bank subleases the assets to the City with an interest factor of 70% of the bank's prime rate. The City borrowed the maximum amount allowed per the agreement of \$790,000, which will be repaid in equal installments over the maximum duration of the agreement. The agreement can be renewed annually but has a maximum duration of ten years. The balance as of June 30, 2005 on this lease agreement is \$433,408. In addition, the City has entered into separate lease agreements with Zions Bank for a building with interest at 4.55% and a balance of \$31,908 and for a mower with interest at 3.8% and a balance of \$31,110.

The following is a schedule of future minimum lease payments of business-type activities capital lease agreements in the proprietary fund types as of June 30, 2004:

Year Ending <u>June 30</u>	
2006	\$ 133,313
2007	101,300
2008	101,644
2009	102,186
2010	<u>93,632</u>
Net minimum lease payments	532,075
Less amount representing interest	<u>(35,649)</u>
Present value of net minimum lease payments	\$ <u>496,426</u>

At June 30, 2005, the cost of assets financed by capital leases recorded in the business-type activities was \$1,203,769 and the accumulated depreciation was \$128,357.

Note 8 - Conduit Debt

The City has issued industrial revenue bonds in prior years to finance construction and other improvements on behalf of Safeway, Inc. and La-Z-Boy Chair, Inc. The bonds were issued under the provisions of the Utah Industrial Facilities Development Act, Utah Code Annotated Chapter 19, Title 11. As such, none of the bonds are general obligations of the City nor are any of the bonds, including interest thereon, debt or indebtedness of the City. Therefore, no liability has been recorded in these financial statements.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 9 - Pension Benefit Obligations

The City contributes to the following cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems): 1) Utah Public Employees Contributory Retirement, 2) Utah Public Employees Noncontributory Retirement and 3) Utah Public Safety Retirement. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The following briefly summarizes types of employees covered, benefit provisions, eligibility requirements and vesting for the systems participated in by the City.

- 1) Public Employees Contributory and Noncontributory - all City employees hired to a position expected to last 9 months and that work 20 or more hours per week are eligible to participate. Employees attaining age 60 to 65 with 4-20 years of credit service, or any age with 20 or more years of credited service are entitled to monthly benefits based on age, years of service credit and final average monthly salary. Matching contributions made by the City are not vested in the employee's name. All other contributions are fully vested at the time of contribution.
- 2) Public Safety Employees - all employees employed in the recognized public safety departments of the City who work 40 or more hours a week and are regularly assigned to hazardous duty are eligible to participate. Employees attaining age 60 to 65 with 4-10 years of credited service or any age with 20 or more years of credited service are entitled to monthly benefits based on years of credited service and final average monthly salary. Matching contributions made by the City are not vested in the employee's name. All other contributions are fully vested at the time of contribution.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Government Noncontributory Retirement System, Public Safety Retirement System and Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 9 - Pension Benefit Obligations (continued)

Plan members in the Local Governmental Contributory Retirement System were required to contribute 6.0% of their annual covered salary (paid by the City) and the City was required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City was required to contribute 11.09% of the eligible employees' annual covered salary. In the Public Safety Retirement System, contributory division members were required to contribute 12.29% of their annual covered salary (paid by the City) and the City was required to contribute 7.70% of their annual covered salary. The City was required to contribute 19.08% of the annual covered salary of noncontributory division members. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Systems for the years ended December 31, 2005, 2004, and 2003 were as follows:

A. Local Governmental System - Contributory				
		<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer paid for employee contributions	\$	1,506	1,404	1,364
Employer contributions		1,777	1,313	1,064
B. Local Governmental System - Noncontributory				
		<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer contributions	\$	83,777	68,132	61,357
C. Public Safety - Contributory				
		<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer paid for employee contributions	\$	4,085	3,965	3,854
Employer contributions		2,559	1,458	680
D. Public Safety - Noncontributory				
		<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer contributions	\$	47,904	50,577	41,963

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 9 - Pension Benefit Obligations (continued)

The Utah State Retirement Board of the Utah Retirement Systems provides the City with the necessary retirement disclosures for this report. The Utah Retirement Systems have implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

The City maintains a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which is administered by the Utah Retirement Systems. Under the plan, eligible employees may elect to contribute a portion of their salary, subject to Internal Revenue Service limits. Contributions of \$66,306, \$70,166 and \$73,448 were made to the 401(k) plan during the years ended December 31, 2005, 2004 and 2003 respectively. Of these amounts, \$24,426, \$27,404 and \$27,101 were contributed by employees, and \$41,880, \$42,762 and \$46,347 were contributed by the City on behalf of employees, respectively.

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and is administered by the Utah Retirement Systems. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All funds are held by the Utah Retirement Systems as trustee of the plan. Contributions of \$13,160, \$4,108 and \$1,794 were made to the plan during the years ended December 31, 2005, 2004 and 2003 respectively. Of these amounts, \$8,922, \$4,108 and \$1,794 were contributed by employees, and \$4,238, \$-0- and \$-0- were contributed by the City on behalf of employees, respectively.

Note 10 - Redevelopment Agency

In accordance with Section 17B-4-1305, Utah Code Annotated, all municipalities that have established Redevelopment Agencies are required to disclose the following revenues and expenditures associated with the various project areas.

		<u>RDA #2</u>	<u>RDA #3</u>
Tax increment collected	\$	54,458	896,475
Balance of debt:			
City of Tremonton:			
Parks Special Revenue Fund		25,252	-
Utility Fund		-	440,206
Expenditures:			
Administrative costs		2,536	-
Tax increment payments		-	871,829
Debt service		3,629	38,205
Transfers		-	46,225
Deficit fund balance		18,227	416,031

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 11 - Restricted Net Assets/Reserved Fund Equity

Restricted net assets and reserved fund equity represent moneys required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved fund equity at June 30, 2005:

Governmental Activities

General Fund:

Beautification committee	\$ 12,726
Total reserved fund balance/restricted net assets	\$ <u>12,726</u>

Business-type Activities

Utility Fund:

Bond retirement	\$ 46,944
Impact fees	<u>280,021</u>
Total restricted net assets	\$ <u>326,965</u>

Treatment Plant Fund

Bond retirement	\$ 178,621
Unspent impact fees assessed by Garland City	9,024
Impact fees	<u>172,035</u>

Total restricted net asset	\$ <u>359,680</u>
----------------------------	-------------------

Total business-type restricted net assets	\$ <u>686,645</u>
---	-------------------

The City assesses impact fees for parks, water and sewer, and treatment plant improvements as allowed by State law. Impact fees in the Treatment Plant Fund represent fees assessed by the City for future capital improvements. These fees are not intended to recover impact costs for growth in areas not assessed by the City. During the fiscal year, Garland City collected impact fees and remitted those fees to the City. The unspent portion of those impact fees has been included with the restricted net assets above.

CITY OF TREMONTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. There have been no claim settlements that exceeded the City's insurance coverage for the past three years.

Note 13 - Commitments

The Tremonton Redevelopment Agency #3 has entered into an agreement to refund property tax increment collected on a property to the developer of the property. The agreement requires 100% of the tax increment to be remitted for 12 years. During fiscal year 2005, the RDA remitted \$688,677 on the agreement. In addition, the City made final tax increment payments on other agreements during the year.

Note 14 - Joint Venture in UTOPIA

As discussed previously, the City is a member of UTOPIA, which is a joint venture between the City and certain other local municipalities in the State of Utah (collectively called the Members). UTOPIA was created to determine the feasibility of and constructing an open, carrier class, and scalable telecommunications system that would provide transparent high-speed broadband, voice, video, and data access for internal use by the Members and to every home and business within the Member's boundaries on a wholesale basis. The City has no on-going responsibility to fund the operations of UTOPIA. However, the City is entitled to receive a share of any revenues in excess of those needed to properly administer UTOPIA, as determined by the Board of Directors of UTOPIA. According to the terms of the interlocal agreement, UTOPIA shall remain a separate legal entity so long as there are any outstanding bonds. UTOPIA issues separate financial statements which can be obtained from its offices in West Valley, Utah.

UTOPIA has issued revenue bonds which are partially guaranteed by the sales tax revenues of the Members. The City's portion of the guarantee is limited to approximately \$141,000 per year through fiscal year 2016. The City has contracted with RDA #2 and RDA #3 to use property tax increment to reimburse the City's General Fund if the City is required to pay the guarantee.

Required Supplementary Information

CITY OF TREMONTON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,732,610	2,043,960	2,139,499	95,539
Licenses and permits	93,960	95,140	85,710	(9,430)
Intergovernmental	548,330	600,540	384,388	(216,152)
Charges for services	609,205	809,245	626,184	(183,061)
Fines and forfeitures	144,640	152,340	140,650	(11,690)
Library	6,965	10,565	19,842	9,277
Miscellaneous	48,490	72,960	47,313	(25,647)
Total revenues	3,184,200	3,784,750	3,443,586	(341,164)
Expenditures:				
General government	489,670	496,220	431,197	65,023
Public safety	1,219,370	1,456,970	1,326,784	130,186
Streets/highways	723,015	825,510	674,384	151,126
Sanitation	143,020	155,800	155,784	16
Cultural, parks and recreation	480,840	808,950	664,625	144,325
Health and human services	218,935	268,020	237,925	30,095
Total expenditures	3,274,850	4,011,470	3,490,699	520,771
Deficiency of revenues over expenditures	(90,650)	(226,720)	(47,113)	179,607
Other financing sources				
Transfer in from RDA #3	-	-	46,225	46,225
Proceeds from capital lease	82,000	108,500	108,842	342
Net other financing sources	82,000	108,500	155,067	46,567
Change in fund balance	\$ (8,650)	(118,220)	107,954	226,174
Fund balance - July 1			556,132	
Fund balance - June 30	\$		664,086	

CITY OF TREMONTON
RDA #3 BLENDED COMPONENT UNIT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 896,475	896,475	896,475	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
Total revenues	<u>896,475</u>	<u>896,475</u>	<u>896,775</u>	<u>300</u>
Expenditures:				
General government	747,700	871,835	871,828	(7)
Debt service	<u>141,150</u>	<u>38,205</u>	<u>38,205</u>	<u>-</u>
Total expenditures	<u>888,850</u>	<u>910,040</u>	<u>910,033</u>	<u>(7)</u>
Excess of revenues over expenditures	<u>7,625</u>	<u>(13,565)</u>	<u>(13,258)</u>	<u>307</u>
Other financing uses:				
Transfer to general fund	<u>(7,625)</u>	<u>(46,235)</u>	<u>(46,225)</u>	<u>10</u>
Change in fund balance - budget basis	<u>\$ -</u>	<u>(59,800)</u>	<u>(59,483)</u>	<u>317</u>
Adjustments from budget basis to GAAP basis:				
Interest expense			(34,227)	
Interfund loans			<u>38,205</u>	
Change in fund balance - GAAP basis			<u>(55,505)</u>	

CITY OF TREMONTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2005

Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a legally enacted basis. The legally enacted basis differs from a GAAP basis budget by including interfund loan payments as expenditures.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year end. Each fund adopts a "balanced budget" in accordance with State law. As allowed by State law, the City Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Budget Adoption and Monitoring

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officers so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at the first scheduled meeting in May. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The City financial officer must, within the revenues and reserves, estimate any changes in the budget as available or revenue estimates may be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22, and adoption of budgets is done similarly.

State statute requires that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented is after all approved amendments.

CITY OF TREMONTON
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis – for State and Local Governments*, Tremonton City Corp. has adopted an alternative to reporting depreciation on streets, bridges, sidewalks, curb and gutters, and alleyways (infrastructure assets) maintained by the Tremonton City Public Works Department. Under this alternative method, referred to as the "modified approach", infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, Tremonton City is required to:

- 1) Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- 2) Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- 3) Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by Tremonton City.
- 4) Document that the infrastructure assets are being preserved approximately at, or above the condition level established by Tremonton City.

Streets

Tremonton City Public Works Department uses the T2 Pavement Management System to determine the Remaining Surface Life (RSL) of the 30.59 miles of city streets. The assessment is based on the RSL on a 1 to 8 scale, with 8 representing new or nearly new pavement with a RSL of 19 – 21 years.

Rating	RSL	Description
1	0	Poor Condition, No life left. Street needs reconstructed through Replaced/Rebuild.
2	1 – 3	Poor Condition, 1 – 3 years life left. Street needs reconstructed through Rebuild.
3	4 – 6	Poor Condition, 4 – 6 years life left. Street needs reconstructed through Rotomill & Thick Overlay.
4	7 – 9	Fair Condition, 7 – 9 years life left. Street needs rehabilitation through Rotomill & Thin Overlay.
5	10 – 12	Good Condition, 10 – 12 years life left. Street needs routine Patch.
6	13 – 15	Very Good Condition, 13 – 15 years life left. Street needs Seal Coat, Chip Seal or Slurry Seal Applied.
7	16 – 18	Very Good Condition, 16 – 18 years life left. Street needs Seal Coat, Chip Seal or Slurry Seal Applied.
8	19 - 21	Excellent Condition, 19 – 21 years life left. Street needs no repairs.

Condition Level

Tremonton City's established condition level is to maintain **30** percent of its streets with a rating of **5** or greater and no more than **70** percent of streets with a rating of less than **4**. The condition level chosen assumes that when the Road Bond is fully paid off, in the year 2010, that the amount allocated for principle and interest payments will be allocated to road projects, along with the current funds that are being spent on road repairs and maintenance.

CITY OF TREMONTON
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

Tremonton City performs complete assessments on an every year basis. The following table reports the results of the streets assessment:

Percent Remaining Street Life Per Year		
Rating	2003	2004
1	2.23	2.95
2	2.17	6.39
3	14.83	11.69
4	5.4	8.21
5	13.84	16.9
6	23.02	24.99
7	28.94	22.49
8	9.58	6.39
Avg. RSL	12.8	11.83

The following table presents the City's estimated amounts needed to maintain and preserve roads at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods.

Fiscal Year	Estimated Spending	Actual Spending
2000-2001	\$ 3,409,294	\$ 2,842,641
2001-2002	\$ 1,344,175	\$ 1,166,109
2002-2003	\$ 85,000	\$ 87,000
2003-2004	\$ 90,690	\$ 90,800
2004-2005	\$ 86,310	\$ 78,795

Bridges

Tremonton City use the Structures Inventory & Appraisal System, conducted on an every two-year basis, by the Utah Department of Transportation (UDOT), on the 4 bridges owned by Tremonton City. A number ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of conditions are established in relation to the number range as follows:

Rating	Category	Range	Description
1	Poor	1 – 33	Serious Structural Problems, Bridge Not Safe, Closed Until Repaired
2	Fair	34 – 67	Some Structural Problems, Notified of a Recommended Time-Frame for Bridge Replacement
3	Good	68 – 100	No Major Structural Problems, Bridge in Good Repair

Condition Level

Tremonton City's established condition level is to maintain **75** percent of its bridges with a rating of **3** or greater and no more than **25** percent of bridges with a rating of less than or equal to a **2**.

CITY OF TREMONTON
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

The following table reports the results of the bridges assessment:

Percentage Condition of Bridges		
Rating	2000	2002
1	0	0
2	0	0
3	100	100

The following table presents the City's estimated amounts needed to maintain and preserve bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods.

Fiscal Year	Estimated Spending	Actual Spending
2000-2001	-	-
2001-2002	-	-
2002-2003	-	-
2003-2004	-	-
2004-2005	-	-

Sidewalks

Tremonton City uses a sidewalk inventory system conducted by the Public Works Department. The Public Works Department will conduct a sidewalk inventory on an every three-year basis. The inventory and evaluation system is based on type of traffic area and trip hazard assessment. A numbering system ranging from 1 to 4 is in the calculation as to which sidewalks, of the approximate 200,000 linear feet, that may need repaired or replaced first, these are determined on traffic area, HTA – High Traffic Area and STA – Standard Traffic Area. Four categories of conditions are established in relation to the number range as follows:

Rating	Category	Hazard	Description
1	Very Poor	> 2"	High Priority, sidewalk needs replaced.
2	Poor	½" to 2"	Medium Priority, sidewalk needs to be replaced or trip hazards removed in a timely manner.
3	Fair	< ½"	Low Priority, sidewalk needs trip hazards removed as time permits.
4	Good	None	No apparent trip hazards, sidewalks are like new, with no trip hazards.

Condition Level

Tremonton City's established condition level is to maintain **80** percent of its sidewalks with a rating of **4** or greater and no more than **20** percent of sidewalks with a rating of less than or equal to a **3**.

The following table reports the results of the sidewalks assessed for the past 3 years:

Percentage Condition of Sidewalks		
Rating	2003	Feet
1	1	2,000'
2	2	4,000'
3	1	2,000'
4	96	192,000'

CITY OF TREMONTON
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

The following table presents the City's estimated amounts needed to maintain and preserve sidewalks at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods.

Fiscal Year	Estimated Spending	Actual Spending
2000-2001	-	\$ 1,500
2001-2002	-	\$ 1,500
2002-2003	-	\$ 1,000
2003-2004	-	\$ 2,500
2004-2005	-	\$1,500

Curb and Gutter

Tremontion City uses a curb and gutter inventory system conducted by the Public Works Department. The Public Works Department will conduct a curb and gutter inventory on an every three-year basis. A numbering system of 1 to 2 is used in the evaluation of the approximate 200,000 linear feet of curb and gutter. The inventory and evaluation system is based on condition and drainage assessment. A numbering system of 1 to 2 is used in the evaluation. The inventory and evaluation system is based on condition and drainage assessment. Two categories of conditions are established in relation to the number range as follows:

Rating	Category	Description
1	Poor	Curb & gutter broken up and drainage is poor to the extent that it may cause road failure.
2	Good	Curb & gutter may be broken but drainage is not a problem.

Condition Level

Tremontion City's established condition level is to maintain **80** percent of its curbs & gutters with a rating of **2** and no more than **20** percent of curbs and gutters with a rating of **1**.

The following table reports the results of the curb and gutters assessed for the past 3 years:

Percentage Condition of Curbs & Gutters		
Rating	2003	Feet
1	1.5	2,500'
2	98.5	197,500'

The following table presents the City's estimated amounts needed to maintain and preserve curbs and gutters at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods.

Fiscal Year	Estimated Spending	Actual Spending
2000-2001	-	\$ 9,000
2001-2002	-	\$ 8,500
2002-2003	-	\$ 7,200
2003-2004	-	-
2004-2005	-	-

CITY OF TREMONTON
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

Alleys

Tremontion City uses an alley inventory system conducted by the Public Works Department, to evaluate its approximate 3.5 miles of alleys. The Public Works Department will conduct an alley inventory on an every three-year basis. A numbering system of 1 to 2 is used in the evaluation. The inventory and evaluation system is based on the condition of the alleyway, such as holes, debris and remaining surface material. Two categories of conditions are established in relation to the number range as follows:

Rating	Category	Description
1	Poor	Large amount of holes, excesses amount of debris, and large portions of the surface material missing.
2	Good	Very few holes, alleys are free of debris, and the surface material is in good shape.

Condition Level

Tremontion City's established condition level is to maintain **80** percent of its alleys with a rating of **2** and no more than **20** percent of alleys with a rating of 1.

The following table reports the results of the alleys assessed for the past 3 years:

Percentage Condition of Alleys	
Rating	2003
1	0
2	100

The following table presents the City's estimated amounts needed to maintain and preserve alleys at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods.

Fiscal Year	Estimated Spending	Actual Spending
2000-2001	-	-
2001-2002	-	-
2002-2003	-	-
2003-2004	-	-
2004-2005	-	-

This page intentionally left blank.

Supplementary Information

CITY OF TREMONTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	2005			
	Final Budget	Actual	Variance Favorable (Unfavorable)	2004 Actual
Revenues:				
Taxes:				
General property taxes	\$ 484,320	539,501	55,181	416,117
Fee in lieu of property taxes	91,400	107,546	16,146	101,723
Sales and use taxes	918,700	923,831	5,131	905,228
Franchise taxes	549,540	568,621	19,081	425,755
Total taxes	2,043,960	2,139,499	95,539	1,848,823
Licenses and permits:				
Business licenses and permits	21,900	21,769	(131)	21,647
Non-business licenses and permits	73,240	63,941	(9,299)	90,717
Total licenses and permits	95,140	85,710	(9,430)	112,364
Intergovernmental:				
Class "C" roads	255,600	202,585	(53,015)	267,162
BRAG/Senior Citizens	168,250	142,629	(25,621)	168,405
Community development block grant			-	2,356
COPS fast grant			-	27,198
Fire standby fees	18,710	10,219	(8,491)	20,430
Liquor allotment	6,300	5,256	(1,044)	4,532
EMS grant	27,800	23,699	(4,101)	7,767
Other	123,880		(123,880)	1,750
Total intergovernmental	600,540	384,388	(216,152)	499,600
Charges for services:				
Sanitation	181,000	180,652	(348)	171,877
Ambulance	411,700	319,244	(92,456)	263,276
Cemetery	22,300	20,920	(1,380)	13,615
Recreation	176,165	98,129	(78,036)	93,783
Other	18,080	7,239	(10,841)	6,822
Total charges for services	809,245	626,184	(183,061)	549,373
Fine and forfeitures	152,340	140,650	(11,690)	111,522
Library:				
Grants	3,665	3,665	-	3,665
Other	6,900	16,177	9,277	4,004
Total library	10,565	19,842	9,277	7,669

(continued)

(continued)

CITY OF TREMONTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	2005		Variance	2004
	Final Budget	Actual	Favorable (Unfavorable)	Actual
Miscellaneous revenues:	\$			
Interest	20,000	10,802	(9,198)	11,686
Rent	3,850	3,900	50	3,666
Donations	10,000	8,943	(1,057)	23,469
Beautification committee				
Other	39,110	23,668	(15,442)	16,661
Total miscellaneous	72,960	47,313	(25,647)	55,482
Total revenues	3,784,750	3,443,586	(341,164)	3,184,833
Expenditures:				
General government:				
City council	72,380	69,041	3,339	62,835
Court	71,050	65,209	5,841	58,856
City manager	54,420	50,168	4,252	51,814
Treasurer	31,370	30,597	773	27,120
Recorder	36,810	28,712	8,098	33,010
Professional	22,600	14,333	8,267	13,952
Election	-	-	-	1,583
Civic center	41,080	32,645	8,435	22,407
Planning and zoning	32,685	15,466	17,219	9,556
Non-departmental	133,825	125,026	8,799	383,139
Total general government	496,220	431,197	65,023	664,272
Public safety:				
Liquor law enforcement	11,300	5,472	5,828	9,076
Police department	860,030	780,914	79,116	822,386
Fire department	509,960	467,902	42,058	357,336
Building inspection	75,680	72,496	3,184	75,859
Total public safety	1,456,970	1,326,784	130,186	1,264,657
Streets/highways:				
Streets department	279,320	251,839	27,481	263,653
Class "C" roads	546,190	422,545	123,645	421,457
Total streets/highways	825,510	674,384	151,126	685,110
Sanitation	155,800	155,784	16	162,563

(continued)

CITY OF TREMONTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	2005			
	Final Budget	Actual	Variance Favorable (Unfavorable)	2004 Actual
Cultural, parks and recreation:				
Parks and recreation	443,435	326,537	116,898	267,881
Golf course	1,400	737	663	1,137
Cemetery	29,120	19,516	9,604	25,869
Community events	60,230	49,399	10,831	65,000
Library	274,765	268,436	6,329	77,991
Total parks and recreation	808,950	664,625	144,325	437,878
Health and human services:				
Community service	61,685	61,108	577	55,602
Congregate meals	51,395	45,315	6,080	52,052
Home delivered meals	67,260	62,250	5,010	66,343
Senior building	53,230	42,707	10,523	36,729
Food pantry	34,450	26,545	7,905	19,706
Total health and human services	268,020	237,925	30,095	230,432
Total expenditures	4,011,470	3,490,699	520,771	3,444,912
Deficiency of revenues over expenditures	(226,720)	(47,113)	179,607	(260,079)
Other financing sources (uses):				
Transfer in from RDA #3	-	46,225	46,225	-
Proceeds from short-term debt			-	250,000
Proceeds from capital lease	108,500	108,842	342	64,520
Total other financing sources (uses)	108,500	155,067	46,567	314,520
Change in fund balance	\$ (118,220)	107,954	226,174	54,441
Fund balance - July 1		556,132		501,691
Fund balance - June 30	\$	664,086		556,132

This page intentionally left blank.

CITY OF TREMONTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	<u>Special Revenue</u>		<u>Total Nonmajor</u>
	<u>Parks</u>	<u>Redevelopment Agency #2</u>	<u>Governmental Funds</u>
<u>Assets</u>			
Pooled cash and cash equivalents	\$ 52,845	-	52,845
Due from other governments	-	54,000	54,000
Deposit with Utopia	-	65,820	65,820
Due from other funds	25,252	-	25,252
	<hr/>	<hr/>	<hr/>
Total assets	\$ 78,097	119,820	197,917
	<hr/>	<hr/>	<hr/>
<u>Liabilities and fund balances</u>			
Liabilities:			
Due to pooled cash	\$ -	58,795	58,795
Due to other funds	-	25,252	25,252
Deferred revenue	-	54,000	54,000
	<hr/>	<hr/>	<hr/>
Total liabilities	-	138,047	138,047
	<hr/>	<hr/>	<hr/>
Fund balance (deficit):			
Unreserved - Undesignated	78,097	(18,227)	59,870
	<hr/>	<hr/>	<hr/>
Total fund balance (deficit)	78,097	(18,227)	59,870
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 78,097	119,820	197,917
	<hr/>	<hr/>	<hr/>

CITY OF TREMONTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	<u>Parks</u>	<u>Redevelopment Agency # 2</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Taxes - property	\$ -	54,458	54,458
Interest	2,325	779	3,104
Charges for services	15,840	-	15,840
	<u>18,165</u>	<u>55,237</u>	<u>73,402</u>
Total revenues			
Expenditures:			
General government	-	2,536	2,536
Interest	-	1,203	1,203
Debt service	-	2,426	2,426
	<u>-</u>	<u>6,165</u>	<u>6,165</u>
Total expenditures			
Excess of revenues over expenditures	18,165	49,072	67,237
Fund balance (deficit) - July 1	59,932	(67,299)	(7,367)
Fund balance (deficit) - June 30	<u>\$ 78,097</u>	<u>(18,227)</u>	<u>59,870</u>

CITY OF TREMONTON
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
PARKS SPECIAL REVENUE FUND
For the Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	<u>2005</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2004</u> <u>Actual</u>
Revenues:				
Impact fees	\$ 38,300	15,840	(22,460)	23,785
Donations	223,675	-	(223,675)	-
Interest	1,000	2,325	1,325	1,479
Total revenues	<u>262,975</u>	<u>18,165</u>	<u>(244,810)</u>	<u>25,264</u>
Expenditures:				
Capital projects	223,675	-	223,675	-
Parks and recreation	<u>39,300</u>	<u>-</u>	<u>39,300</u>	<u>118</u>
Total expenditures	<u>262,975</u>	<u>-</u>	<u>262,975</u>	<u>118</u>
Excess of revenue over expenditures	\$ <u>-</u>	<u>18,165</u>	<u>18,165</u>	<u>25,146</u>

CITY OF TREMONTON
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY #2
For the Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	<u>2005</u>		<u>Variance</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes - property	\$ 54,970	54,458	(512)	53,719
Miscellaneous	63,030	779	(62,251)	-
Total revenues	<u>118,000</u>	<u>55,237</u>	<u>(62,763)</u>	<u>53,719</u>
Expenditures:				
General government	55,140	52,032	3,108	34,534
Debt service	2,430	2,426	4	3,640
Interest	-	-	-	1,145
Total expenditures	<u>57,570</u>	<u>54,458</u>	<u>3,112</u>	<u>39,319</u>
Excess of revenue over expenditures	<u>60,430</u>	<u>779</u>	<u>(59,651)</u>	<u>14,400</u>
Other financing (uses):				
Transfer out to general fund	<u>(60,430)</u>	-	60,430	-
Total other financing (uses)	<u>(60,430)</u>	-	60,430	-
Change in fund balance - budget basis	\$ <u>-</u>	779	<u>779</u>	14,400
Adjustments from budget basis to GAAP basis:				
Interest expense		(1,203)		-
Deposit with Utopia		<u>49,496</u>		-
Change in fund balance - GAAP basis		<u>49,072</u>		<u>14,400</u>

CITY OF TREMONTON
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
UTILITY FUND
For The Year Ended June 30, 2005

	Water Department		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Water services	\$ 660,400	617,279	(43,121)
Water connection fees	10,000	9,615	(385)
Sewer service	-	-	-
Sewer connection fees	-	-	-
Miscellaneous	28,320	27,038	(1,282)
Total operating revenues	698,720	653,932	(44,788)
Operating expenses:			
Salaries and benefits	273,900	259,163	14,737
Current expenses	358,020	337,635	20,385
Depreciation	84,000	126,521	(42,521)
Total operating expenses	715,920	723,319	(7,399)
Operating income (loss)	(17,200)	(69,387)	(52,187)
Non-operating income (expense):			
Impact fees	102,000	83,410	(18,590)
Interest income	15,440	43,068	27,628
Net income before capital income (expenses)	100,240	57,091	(43,149)
Capital budget income (expenses):			
Debt service payments	(245,475)	(204,765)	40,710
Equipment and improvements	(13,075)	(47,333)	(34,258)
Total capital budget income (expenses)	(258,550)	(252,098)	6,452
Change in net assets - budget basis	\$ (158,310)	(195,007)	(36,697)
Adjustments from budget basis to GAAP basis:			
Equipment and improvements		47,333	
Interfund loan		(38,205)	
Principal payments on debt		170,054	
Change in net assets - GAAP basis	\$	(15,825)	

Sewer Department			Total Utility Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	660,400	617,279	(43,121)
-	-	-	10,000	9,615	(385)
98,400	98,216	(184)	98,400	98,216	(184)
4,925	4,800	(125)	4,925	4,800	(125)
9,815	10,370	555	38,135	37,408	(727)
113,140	113,386	246	811,860	767,318	(44,542)
40,000	32,400	7,600	313,900	291,563	22,337
78,850	29,112	49,738	436,870	366,747	70,123
16,550	15,083	1,467	100,550	141,604	(41,054)
135,400	76,595	58,805	851,320	799,914	51,406
(22,260)	36,791	59,051	(39,460)	(32,596)	6,864
8,500	7,032	(1,468)	110,500	90,442	(20,058)
38,205	38,205	-	53,645	81,273	27,628
24,445	82,028	57,583	124,685	139,119	14,434
-	-	-	(245,475)	(204,765)	40,710
(2,500)	(34,645)	(32,145)	(15,575)	(81,978)	(66,403)
(2,500)	(34,645)	(32,145)	(261,050)	(286,743)	(25,693)
21,945	47,383	25,438	(136,365)	(147,624)	(11,259)
	34,645			81,978	
	-			(38,205)	
	-			170,054	
	82,028			66,203	

CITY OF TREMONTON
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
SPECIAL IMPROVEMENT DISTRICT FUND
For the Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating revenues:				
Services	\$ 7,000	6,899	(101)	7,007
Miscellaneous income	650	29	(621)	46
Total operating revenues	<u>7,650</u>	<u>6,928</u>	<u>(722)</u>	<u>7,053</u>
Operating expenses:				
Current expenses	<u>650</u>	<u>-</u>	<u>650</u>	<u>55</u>
Total operating expenses	<u>650</u>	<u>-</u>	<u>650</u>	<u>55</u>
Net income before capital expenses	<u>7,000</u>	<u>6,928</u>	<u>(72)</u>	<u>6,998</u>
Capital budget expenses:				
Bond payments	<u>(7,000)</u>	<u>(7,060)</u>	<u>(60)</u>	<u>(7,000)</u>
Total capital budget expenses	<u>-</u>	<u>(7,060)</u>	<u>-</u>	<u>(7,000)</u>
Net change in net assets - budget basis	\$ <u>7,000</u>	(132)	<u>(72)</u>	(2)
Adjustments from budget basis to GAAP basis:				
Depreciation	\$	(11,820)		(3,842)
Principal on bond payments		<u>7,000</u>		<u>7,000</u>
Net change in net assets - GAAP basis	\$	<u>(4,952)</u>		<u>3,156</u>

CITY OF TREMONTON
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TREATMENT PLANT FUND
For the Year Ended June 30, 2005
(With comparative Totals for the Year Ended June 30, 2004)

	2005		Variance	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Operating revenues:				
Services	\$ 720,035	690,600	(29,435)	652,557
Total operating revenues	720,035	690,600	(29,435)	652,557
Operating expenses:				
Salaries and benefits	277,000	269,455	7,545	280,643
Current expenses	226,855	186,217	40,638	198,893
Depreciation	95,000	203,437	(108,437)	138,945
Total operating expenses	598,855	659,109	(60,254)	618,481
Operating income (loss)	121,180	31,491	(89,689)	34,076
Non-operating income (expense):				
Capital donations	-	9,024	9,024	1,798,780
Impact fees	50,000	54,144	4,144	68,281
Interest income	8,200	9,086	886	7,112
Interest expense	(30,640)	(28,473)	2,167	(32,800)
Income before capital expenses	148,740	75,272	(73,468)	1,875,449
Capital budget expenses:				
Equipment and improvements	(420,600)	(286,162)	134,438	(2,030,602)
Principal payments on debt	(57,000)	(57,000)	-	(54,000)
Total capital budget expenses	(477,600)	(343,162)	134,438	(2,084,602)
Change in net assets - budget basis	\$ (328,860)	(267,890)	60,970	(209,153)
Adjustments from budget basis to GAAP basis:				
Equipment and improvements		286,162		2,030,602
Principal payments on debt		57,000		54,000
Change in net assets - GAAP basis	\$	75,272		1,875,449

CITY OF TREMONTON
SCHEDULE OF LONG-TERM LIABILITIES
GOVERNMENTAL FUNDS
June 30, 2005

Year	Capital Leases									
	Fire Truck		Fire Pumper		Neons		Animal Control and Two Police Cars		2004 Ambulance	
	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.
2006 \$	9,320	12	19,753	2,628	1,273	6	21,501	1,072	21,513	1,979
2007	-	-	20,951	1,431	-	-	22,108	465	22,142	1,350
2008	-	-	12,202	253	-	-	-	-	22,886	606
2009	-	-	-	-	-	-	-	-	5,751	32
Total \$	9,320	12	52,906	4,312	1,273	6	43,609	1,537	72,292	3,967
									17,603	812
									197,003	10,646
									80,216	6,207
									72,302	3,510
									38,734	47,487
									305,751	32,514
									315,000	17,482

Year	Total All Debt									
	Gen. Obl. Bond		Stokes Note		Total Bonds and Notes		Capital Leases		Total	
	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.
2006 \$	260,000	72,675	16,515	1,486	276,515	74,161	80,216	6,207	356,731	80,368
2007	275,000	60,065	-	-	275,000	60,065	72,302	3,510	347,302	63,575
2008	285,000	46,590	-	-	285,000	46,590	38,734	897	323,734	47,487
2009	300,000	32,482	-	-	300,000	32,482	5,751	32	305,751	32,514
2010	315,000	17,482	-	-	315,000	17,482	-	-	315,000	17,482
Total \$	1,435,000	229,294	16,515	1,486	1,451,515	230,780	197,003	10,646	1,648,518	241,426

CITY OF TREMONTON
SCHEDULE OF LONG-TERM LIABILITIES
ENTERPRISE FUNDS
June 30, 2005

Year	Bonds Payable					
	\$349,000		\$140,000		\$1,186,000	
	Water Rev Bond		Water Rev Bond		Treatment Plant	
	Prin.	Int.	Prin.	Int.	Prin.	Int.
2006 \$	29,000	15,371	7,000	-	59,000	28,360
2007	32,000	12,117	7,000	-	61,000	26,000
2008	36,000	8,527	7,000	-	64,000	23,560
2009	40,000	4,488	7,000	-	66,000	21,000
2010	-	-	7,000	-	69,000	18,360
2011	-	-	7,000	-	72,000	15,600
2012	-	-	7,000	-	75,000	12,720
2013	-	-	7,000	-	78,000	9,720
2014	-	-	-	-	81,000	6,600
2015	-	-	-	-	84,000	3,360
Total \$	137,000	40,503	56,000	-	709,000	165,280
					902,000	205,783

Year	Capital Leases					
	City Shop Building		Mowing Tractor		Zions	
	Capital Leases		Capital Lease		Capital Leases	
	Prin.	Int.	Prin.	Int.	Prin.	Int.
2006	31,908	425	7,742	1,029	81,674	10,535
2007	-	-	8,041	730	84,342	8,187
2008	-	-	8,352	419	87,100	5,773
2009	-	-	6,975	103	89,950	5,158
2010	-	-	-	-	90,342	3,290
Total	31,908	425	31,110	2,281	433,408	32,943
					496,426	35,649

CITY OF TREMONTON
SUPPLEMENTAL UTILITY AND INSURANCE INFORMATION
June 30, 2005

Utility Users and Rates

Tremonton City utility fund services both residential and non-residential users. As of June 30, 2005 there were the following users:

	<u>Water</u>	<u>Sewer</u>
Residential	2,046	
Non-residential	<u>299</u>	
Total	<u>2,345</u>	<u>2,126</u>

Water rates:

The monthly rate charged to residents for water as of June 30, 2005 is as follows:

12,800 gallons	\$ 13.00 per month
12,801 and over	\$ 1.13 per 1000 gallons

Industrial charges will be by agreement between the City and user. Non-residents will be charged twice the resident rate.

Sewer rates:

The monthly rate charged to residents for sewer is \$22.05 per month. Industrial charges will be by agreement between the City and user. Overage charges are \$.75 per 1,000 gallons over 12,800 gallons used.

Insurance and bond coverage

The City has insurance and bonding policies with effective limits as follows:

<u>Description date</u>	<u>Issuer</u>	<u>Number</u>	<u>Policy Limits</u>	<u>Expiration</u>
Insurance:				
Comprehensive general liability (no auto deductible)	Utah Local Govt. Trust	TGL-134	\$ 2,000,000	Continuous
Buildings and Contents, Contractor equipment (\$1,000 ded.)	Utah Local Govt. Trust	PX809764	\$ 15,757,300	Continuous
Bonds:				
Employee	Utah Local Govt. Trust	69432027	\$ 30,000	3/15/06
Treasurer	Utah Local Govt. Trust	69432034	\$ 450,000	3/15/06

CITY OF TREMONTON
GOVERNMENTAL AUDIT REPORT

June 30, 2005



Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA

Michael C. Kidman, CPA, MBA

Brent S. Sandberg, CPA

Brett C. Hugie, CPA

Mark E. Low, CPA

H. Paul Gibbons, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Mayor and City Council
City of Tremonton
Tremonton, UT

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Tremonton, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City in a separate letter dated December 9, 2005

This report is intended solely for the information and use of the audit committee, management of the City, the City Council, and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
December 9, 2005

This page intentionally left blank.

CITY OF TREMONTON
STATE COMPLIANCE REPORT

June 30, 2005



1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA
H. Paul Gibbons, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Mayor and City Council
City of Tremonton
Tremonton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tremonton Utah, (the City) for the year ended June 30, 2005, and have issued our report thereon dated December 9, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major state assistance programs from the State of Utah:

Class C Road Funds (Department of Transportation)
Liquor Law Enforcement Funds (State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements).

Public Library Services Development Grant (Department of Community and Economic Development)
EMT Grant (Department of Health)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax Limitations
- Justice Courts
- Special Districts
- Other Compliance Requirements
- Department of Commerce Requirements
- Impact Fees and Other Developmental Fees
- Asset Forfeiture

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Tremonton, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



JONES SIMKINS, P.C.
December 9, 2005



Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA

Michael C. Kidman, CPA, MBA

Brent S. Sandberg, CPA

Brett C. Hugie, CPA

Mark E. Low, CPA

H. Paul Gibbons, CPA

To the Mayor and City Council
City of Tremonton
Tremonton, UT

We have audited the financial statements of the City of Tremonton (the City) for the year ended June 30, 2005, and have issued our report thereon dated December 9, 2005.

Communications Required Under Professional Standards

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards.

As stated in our engagement letter dated August 26, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies and Audit Adjustments

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. During the fiscal year, management adopted and implemented the Government Accounting Standards Board (GASB) Statement No. 40 which added disclosures about deposits and investments and No. 42 which addresses impaired capital assets.

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our audit procedures. We noted that management had identified numerous issues prior to the start of our audit and, due to limited resources, requested that certain accounts be adjusted in conjunction with our audit procedures.

Internal Control

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2005, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control that we consider to be material weaknesses.

However, we noted other matters involving internal control that, although not considered by us to be material weaknesses, are weaknesses in internal control for which corrective action might be taken.

Council

1. We suggest that that the City Council follow up on the recommendations in this letter and reflect the City's corrective actions or decisions in the council minutes before the next year's budget is adopted.

2. We noted that the City's fund balance in the General Fund exceeded the legal limit allowed by State law. We recommend that the City take appropriate action to ensure that the unrestricted fund balance comply with the legal limits.

Council Responses:

1. The City Council will review this audit as a process of setting their budget for fiscal year 2006-7.
2. The City will reduce the fund balance substantially when construction begins the 2000 West project, which is contingent upon receipt of intergovernmental funding authorizations.

All of the comments made in the prior year have either been addressed by management or have not been repeated because management has deemed that resolving the issue is impractical.

We express our appreciation for the courtesy and assistance extended to us by City employees during the course of our audit. A considerable amount of time was provided by the employees to help prepare schedules, locate documents and meet with our audit staff during the audit. This cooperation was extremely helpful. We will be pleased to discuss any of these recommendations at your convenience.

This report is intended solely for the use of the City Council, City management and certain regulatory bodies and should not be used for any other purposes.



JONES SIMKINS, P.C.
December 9, 2005